

Maryland DNR Welcomes You to our
Open House to Discuss Financial Assistance
for Shellfish Aquaculture



August 16 and 18th, 2010

Purpose of Open House

The purpose of this open house is to learn more about what support and financial assistance exists for leaseholders, watermen and entrepreneurs wishing to start or expand shellfish aquaculture enterprises in MD.

What are the Financial Assistance Needs of Individuals Interested in Beginning or Expanding an Oyster Aquaculture Business?

The DNR has heard of the following financial assistance needs.
Please advise us of any others.

- Hatchery larvae and/or seed
 - Purchase of larvae / seed
 - Remote setting tanks to produce own seed
- Bottom surveys
 - Identification of leasable bottom
 - Identification of targeted bottom rehabilitation areas
- Substrate enhancement of lease bottom
 - Purchase & planting of shell
 - On-site shell reclamation
- Grow out gear
 - Cages & floats
- Monitoring
 - Growth and survival
 - Costs to determine economic sustainability
- Protection from theft (i.e. camera / radar, tags)
- Harvest gear
 - Shell washer/sorter
- Capital to cover labor costs
- Product quality and safety (human consumption)
 - Refrigeration
- Marketing assistance
- Crop insurance
- Training
- Other Needs?

The DNR's ability to accommodate these financial needs will be dependent upon the availability of funds and funding sources.

What is the Best Mechanism to Make Funds Available to Approved Applicants?

Loans vs. Grants

The DNR is evaluating three options:

- 1) Zero and low interest loans: money must be paid back
- 2) Grants: money does not have to be paid back
- 3) Subsidized loan: some percentage of the money must be paid back

Funds would be limited to individuals with an approved lease. Individuals with a lease application pending approval, can apply for funds and receive a conditional approval of funds to be released upon lease approval.

With loans rather than grants, there is an opportunity to establish a revolving account with the money that is paid back. This money can then be lent to other people, enabling more people to get started in aquaculture.

With grants, the initial investment of government funds would be limited to those individuals who receive an initial grant. Once the government's funds were expended, the financial assistance program would end.

What is the Best Mechanism to Make Funds Available to Approved Applicants?

Loans vs. Grants

The following scenario assumes a one-time \$1million dollar investment of funds, a 3 year loan term, and a loss rate of 10%. (Individuals may negotiate a term other than three years)



DNR wants to determine what degree of subsidy (%) would yield a semi-sustainable program that will best serve the industry (last X number of years).

What Factors Should Be Considered When Determining Loan Eligibility and Fairness?

The following criteria have been recommended to DNR. We are interested in obtaining your input before finalizing financial assistance program.

- Eligibility Criteria and/or Preferences

Have an approved lease?

Have an approved business plan?

Completed aquaculture training course?

Person's own capital investment?

How soon aquaculture business can begin?

Businesses that would benefit watermen?

For funds that are dedicated to commercial crabbers, what should the eligibility criteria be?

Anyone with a commercial crabbing license?

Limit to active crabbers – those with harvest reports from 2004 – 2008?

Fairness in Distribution of Funds

Geographically – throughout Bay region?

Between watermen and non-watermen?

Between small and large businesses?

How Should Funds Be Allocated?

With only a certain amount of funds and a potential for many applicants, we need to determine how a cap should be set based on any of the following scenarios:

Scenario 1: All initial funding distributed with no time limit nor deadlines.

Scenario 2: All initial funding distributed with an extended timeline with several deadlines.

Scenario 3: Amount (\$) based on estimated costs (seed, substrate, other) – Will need to split out to identify funding sources specific to needs.

- bottom (cap at \$10,000/acre?)
- off-bottom (cap at \$15-25,000/acre?)

Scenario 4: Amount (\$) amount based on lease size / acreage? On-bottom / Off-bottom.

Scenario 5: 25/25/50 approach

- 25 % funding to small business
- 25 % funding to large business
- 50 % open to all categories

Scenario 6: Allocate certain % to Labor / Shell / Equip., etc.

Scenario 7: Discretion of review board?

Other scenarios? We welcome your feedback!

How Will Loan Approval Decisions Be Made?

The DNR is considering the establishment of a loan application review board composed of qualified individuals from various state agencies with management authority, funding oversight responsibilities, and aquaculture expertise.

Potential membership will include:

- Department of Natural Resources
- Department of Agriculture
- Department of Environment
- University of Maryland Sea Grant Extension

Board responsibilities would include:

- Establish publicly available application review criteria
- Establish a checklist / score sheet to facilitate consistency and transparency in the review process
- Review proposals and make recommendations on loan approvals

Who Will Administer the Loans?

The DNR is considering entering into a partnership with the Maryland Agricultural Resource-Based Industry Development Corporation (MARBIDCO) who would administer the loans.

Formed in 2007, MARBIDCO is a respected rural business lending and financial intermediary organization serving Maryland.

MARBIDCO supports farming and natural resource-based businesses.

Other Potential Sources of Assistance

In addition to the planned aquaculture loan program and training sessions, there may be other opportunities available for individuals or small businesses to compete for funds and/or receive planning assistance. These include, but are not limited to:

U.S. Department of Agriculture

- Rural Development Loan and Grant Program
(www.rurdev.usda.gov/RD_Loans.html)
- Farm Service Agency
(www.fsa.usda.gov/FSA/webapp?areahome&subjectfmlp&topiclanding)

Small Business Administration

www.sba.gov/financialassistance/

Economic Development Administration

(www.eda.gov/AboutEDA/AbtEDA.xml)

Commercial Banks

Agricultural Cooperatives

- Maryland Small Farm Coop

Other MARBIDCO opportunities

Foundation Center

(<http://foundationcenter.org/>)

Sources for Seed and Shell

Oyster Seed

Horn Point Hatchery
University of Maryland
Center for Environmental Science
Cambridge, MD 21613
phone: 410-221-8475
fax: 410-221-8456
e-mail: meritt@hpl.umces.edu

Placing an Order

Call 410-990-4970 or email Melissa Boe at mboe@oysterrecovery.org to place an order. Upon finalizing details and payment, the ORP will arrange a convenient time for pick-up or delivery. Based on seed availability, we plan to offer Thursday pick-ups from the hatchery near Cambridge through the end of August.
(www.oysterrecovery.org/)

Shell

DNR will be excavating shell which will be available next spring. Cost at this time is unknown.

Clam shell may be purchased immediately through ARGO company. Arrange through Jeff Johnson, 410-768-2444. (www.argo-enviro.com/)

Oyster Seed

Piney Point Hatchery
17996 Piney Point Rd.
P.O. Box 150
Piney Point, MD 20674
phone: 301-994-0241
e-mail: stomaszewski@dnr.state.md.us

There are also several private nurseries throughout the state and out of state that sell spat on shell and cultch-less seed oysters. Please contact Don Webster 410-827-8056 for the current list of suppliers. A shellfish import permit is required for all out of state shell, seed and larvae. Permit applications are available on the DNR website and must be submitted 30 days before import. Contact Steve Schneider at 410-260-8329.

MARYLAND AQUACULTURE CONFERENCE
SAVE THE DATES - NOVEMBER 9 & 10, 2010
—At the Doubletree Hotel, Annapolis MD

Getting a shellfish lease

Production methods for shellfish

Seed, shell and setting systems

Protecting your crop

Financing, business management & marketing

Disease management

Plus exhibits and displays and a reception on the 9th featuring
Maryland aquaculture and seafood products

Contact: Don Webster, University of Maryland

Phone: 410-827-8056; Email: dwebster@umd.edu

More information and registration will follow.

Sponsored by the University of Maryland, Maryland

Departments of Agriculture and Natural Resources, NOAA

Chesapeake Bay Office and the Oyster Recovery Partnership

Next Steps and Timeline

Obtain input at Open Houses

- August 16
- August 18

Develop Financial Assistant Program for Aquaculture -
September

Announce Program and Begin Receiving Financial Assistance
Applications - September

Begin awarding funds - Fall 2010